

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF:

Garo Kholamian and

GK Development, Inc, their partners, officers and  
directors, agents, employees, affiliates, successors and  
assigns, members, and associated corporations,  
partnerships, and companies.

No. 1200274

NOTICE OF HEARING

TO RESPONDENTS: Garo Kholamian  
270 Leeds Drive  
Barrington Hills, IL 60010

And

GK Development, Inc,  
257 E. Main Street - Suite 100  
Barrington, IL 60010

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 28th day of October, 2015 at the hour of 10:00 a.m. or as soon thereafter as possible before James L. Kopecky, Esq. or such other designated Hearing Officer as the Secretary of State may appoint.

Said hearing will be held to determine whether a permanent Order shall be entered prohibiting Respondents Garo Kholamian and GK Development, Inc. and their partners, officers and directors, agents and employees, affiliates, successors and assigns, members, and associated corporations, partnerships and companies from offering or selling securities in or from the State of Illinois and/or granting such other relief as may be authorized under the Act, including but not limited to, the imposition of a monetary fine in the maximum amount pursuant to Sec. 11.E(4) of the Act, payable within ten (10) days of the Order.

The grounds for such proposed action are as follows:

1. Respondent Garo Kholamian (hereinafter at times "Kholamian" or together with GK Development, Inc, "Respondents") has a last known address of 270 Leeds Drive, Barrington Hills, Illinois 60010.

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2. Respondent GK Development, Inc (hereinafter at times "GK" or together with Garo Kholamian "Respondents"), is an Illinois corporation with a last known address of 257 East Main Street, Suite 100, Barrington, Illinois 60010.
3. Kholamian is the principal officer, director and employee of GK, and as such controls the operation of GK.
4. Between the year 2000 and 2015 Respondents created numerous companies and other entities to purchase, develop, rehabilitate, lease and resell commercial real estate for the purpose of generating profit.
5. Among the companies, and other entities, created by the Respondents were/are: a) Grand Center Partners LLC, b) GDH Investments LLC, c) GK Preferred Income II (Ridgmar), d) InvestLinc/GK Properties Fund I (hereinafter "Fund I"), e) InvestLinc/GK Properties Fund II (hereinafter "Fund II"), and f) GK Retail Properties Fund III (hereinafter "Fund III").
6. Respondent GK, by and through Respondent Kholamian, was/is the decision making entity responsible for the operation (the "Manager") of each entity listed above in paragraph #5.
7. Respondents offered and sold to investors ("Investors") membership units ("Memberships") in the companies, and other entities including Fund I, Fund II, and Fund III, (collectively "Funds") listed above in paragraph #5.
8. Investors were described in offering documents as "Members".
9. Members invested varying amounts of money and were promised pro-rata shares of the profits of the company(ies), or Funds, in which they invested.
10. The activities described above in paragraphs 4-9 constitute the offer and sale of *memberships and therefore securities as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act")*.

### FAILURE TO DISCLOSE (FRAUD) - COUNT I

11. In May 2005 Respondents solicited Investor/Members to purchase Memberships in specific real estate ventures including Fund II.
12. Prior to the investment in Fund II Members were provided prospectuses disclosing the nature of the venture and the activities that the Respondents were, or were not, allowed to conduct.
13. Nowhere in the prospectus provided to prospective Investor/Members in Fund II was it disclosed that Fund II, or its Manager, had any authority to loan Fund II money to any other person or entity.
14. Subsequent to the investments the Manager of Fund II, without authority and without prior disclosure, loaned approximately \$1.6 million of Fund II money to Fund I.

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15. The failure of the Manager of Fund II, prior to the Members' investment in Fund II, to disclose that Fund II money would possibly be loaned to other entities became a material omission at the time the loan was made to Fund II.
16. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
17. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof".
18. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
19. By virtue of the foregoing, Respondents violated Sections 12.A, 12.F, and 12.G of the Act.

**FAILURE TO DISCLOSE (FRAUD) - COUNT II**

20. On or about March 22, 2012 Respondents solicited prospective Investor/Members to purchase Memberships in specific real estate ventures including an offering named Grand Center Partners, LLC.
21. Respondents intended to raise \$2.5 million from investor funds, and also seek financing from other sources.
22. Prior to the investment in Grand Center Partners, LLC prospective Members were provided prospectuses disclosing various aspects of the Grand Center Partners, LLC investment venture.
23. Nowhere in the prospectus provided to prospective Investor/Members in Grand Center Partners, LLC was it disclosed that Respondents' Fund I, Fund II and Fund III, already in operation, all had significant financial problems, and were failing to make distributions to investors in those previous investment +Funds.
24. Fund I, Fund II and Fund III were previously created and operated by Respondents, and the financial managing of Fund I, Fund II and Fund III was conducted by Respondents.
25. At the time Grand Center Partners, LLC prospectus was presented to prospective Investor/Members the Respondents knew, or should have known, that their Fund I, Fund II and Fund III ventures were having significant financial problems, and failing to make distributions to investors.
26. The fact that Fund I, Fund II and Fund III were having significant financial problems, and failing to make distributions to investors was a material fact that Respondents were required, under the, Act, to disclose to prospective

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Investor/Members of Respondents' later venture named Grand Center Partners, LLC.

27. Respondents should have disclosed, but failed to disclose, to prospective Investor/Members in Grand Center Partners, LLC, that Respondents' Fund I, Fund II and Fund III investment ventures, already in operation, all had significant financial problems, and were failing to make distributions to investors
28. The failure of the Manager of Grand Center Partners, LLC, prior to the Members' investment in Grand Center Partners, LLC, to disclose that Fund I, Fund II and Fund III were operating at significant financial loss was a material omission at the time the offering of Grand Center Partners, LLC memberships.
29. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
30. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof".
31. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
32. By virtue of the foregoing, Respondents violated Sections 12.A, 12.F, and 12.G of the Act

**FAILURE TO DISCLOSE (FRAUD) - COUNT III**

33. On or about September 14, 2012 Respondents solicited prospective Investor/Members to purchase Memberships in specific real estate ventures including an offering named GDH Investments, LLC.
34. Respondents intended to raise \$2 million from investor funds, and also seek financing from other sources.
35. Prior to the investment in GDH Investments, LLC prospective Members were provided prospectuses disclosing various aspects of the GDH Investments, LLC investment venture.
36. Nowhere in the prospectus provided to prospective Investor/Members GDH Investments, LLC was it disclosed that Respondents' Fund I, Fund II and Fund III, already in operation, all had significant financial problems, and were failing to make distributions to investors in those previous investment Funds.
37. Fund I, Fund II and Fund III were previously created and operated by Respondents, and the financial managing of Fund I, Fund II and Fund III was conducted by Respondents.

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38. At the time the GDH Investments, LLC prospectus was presented to prospective Investor/Members the Respondents knew, or should have known, that their Fund I, Fund II and Fund III ventures were having significant financial problems, and failing to make distributions to investors.
39. The fact that Fund I, Fund II and Fund III were having significant financial problems, and failing to make distributions to investors was a material fact that Respondents were required, under the Act, to disclose to prospective Investor/Members of Respondents' later venture named GDH Investments, LLC.
40. Respondents should have disclosed, but failed to disclose, to prospective Investor/Members in GDH Investments, LLC, that Respondents' Fund I, Fund II and Fund III investment ventures, already in operation, all had significant financial problems, and were failing to make distributions to investors
41. The failure of the Manager of GDH Investments, LLC, prior to the Members' investment in GDH Investments, LLC, to disclose that Fund I, Fund II and Fund III were operating at significant financial loss was a material omission at the time the offering of GDH Investments, LLC memberships.
42. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
43. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof".
44. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
45. By virtue of the foregoing, Respondents violated Sections 12.A, 12.F, and 12.G of the Act

**FAILURE TO DISCLOSE (FRAUD) - COUNT IV**

46. On or about August 12, 2013 (Supplemented September 26, 2013) Respondents solicited prospective Investor/Members to purchase Memberships in specific real estate ventures including an offering named GK Preferred Income II (Ridgmar) LLC.
47. Respondents intended to raise \$17.5 million from investor funds, and also seek financing from other sources.
48. Prior to the investment in GK Preferred Income II (Ridgmar) LLC prospective Members were provided prospectuses disclosing various aspects of the GK Preferred Income II (Ridgmar) LLC investment venture.

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49. Nowhere in the prospectus provided to prospective Investor/Members GK Preferred Income II (Ridgmar) LLC was it disclosed that Respondents' Fund I, Fund II and Fund III, already in operation, all had significant financial problems, and were failing to make distributions to investors in those previous investment Funds.
50. Fund I, Fund II and Fund III were previously created and operated by Respondents, and the financial managing of Fund I, Fund II and Fund III was conducted by Respondents.
51. At the time the GK Preferred Income II (Ridgmar) LLC prospectus was presented to prospective Investor/Members the Respondents knew, or should have known, that their Fund I, Fund II and Fund III ventures were having significant financial problems, and failing to make distributions to investors.
52. The fact that Fund I, Fund II and Fund III were having significant financial problems, and failing to make distributions to investors was a material fact that Respondents were required, under the Act, to disclose to prospective Investor/Members of Respondents' later venture named GK Preferred Income II (Ridgmar) LLC.
53. Respondents should have disclosed, but failed to disclose, to prospective Investor/Members in GK Preferred Income II (Ridgmar) LLC, that Respondents' Fund I, Fund II and Fund III investment ventures, already in operation, all had significant financial problems, and were failing to make distributions to investors.
54. The failure of the Manager of GK Preferred Income II (Ridgmar) LLC, prior to the Members' investment in GK Preferred Income II (Ridgmar) LLC, to disclose that Fund I, Fund II and Fund III were operating at significant financial loss was a material omission at the time the offering of GK Preferred Income II (Ridgmar) LLC memberships.
55. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
56. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof".
57. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
58. By virtue of the foregoing, Respondents violated Sections 12.A, 12.F, and 12.G of the Act.

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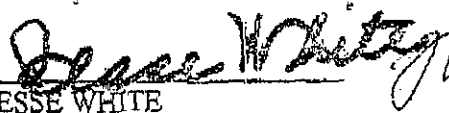
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default unless any Respondent has upon due notice moved for and obtained a continuance.

The Rules promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department may be viewed online at <http://www.cyberdriveillinois.com/departments/securities/lawrules.html>.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 16<sup>th</sup> day of August 2015.

  
JESSE WHITE  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:  
James J. Tierney  
Illinois Securities Department  
69 West Washington Street  
Chicago, Illinois 60602  
312-793-9650